

M e m o r a n d u m

To: Panel Members

Date: August 27, 2004

From: Diana Torres, Manager

Analyst: R. Negrete

Subject: ONE STEP AGREEMENT FOR **TST, INC.**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Stimulating Exports/Imports
Moving to a High Performance Workplace
Promotion of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
 - *Worldwide:* 230
 - *In California:* 200
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$144,976
- Substantial Contribution: \$0
- Total ETP Funding: \$144,976
- Total In-kind Contribution: \$164,705
 - *Trainee Wages Paid During Training:* \$155,205
 - *Other Contributions:* \$9,500
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Bernardino

INTRODUCTION:

Founded in 1946, as Torrance Iron and Metal Company, the Company operates today as TST, Inc. (TST) with its corporate headquarters and foundry in Fontana, California, site of the proposed training. It is a manufacturer of aluminum slabs, ingots and billets in the secondary aluminum products industry. As such, TST, Inc., qualifies for standard Employment Training Panel (ETP) funding as an industrially classified manufacturer facing out-of-state competition that will retrain current employees, under Title 22 California Code of Regulations, Section 4416(b).

TST proposes to retrain 136 full-time employees in the skills to implement a lean manufacturing/six sigma process that will continue the adaptation to a high performance workplace begun in its first ETP project. ETP-funded training is expected to result in improved production efficiencies and customer service that will enable the Company to remain viable in the highly competitive California aluminum products industry.

MEETING ETP GOALS AND OBJECTIVES:

TST, Inc., proposes training that will further the following ETP goals and objectives:

- 1) The training will enable TST to improve operating efficiencies that will stimulate exports in the aluminum products industry. Therefore, this project meets ETP's legislative mandate to stimulate exports in industries threatened by out-of-state competition.
- 2) Training will support the Company's goal of adapting to a high performance workplace by implementing a lean manufacturing/six sigma process.
- 3) Training is targeted to primarily frontline workers earning an average wage of \$14.83 per hour, well above the ETP minimum wage for San Bernardino County. Therefore, the proposed training will meet ETP's legislative mandate to invest in developing the skills of frontline workers and to foster job retention of high-wage, high-skilled jobs.
- 4) TST is a manufacturer in the California aluminum products industry; therefore, the proposed training will promote the retention of the state's manufacturing workforce.

TRAINING PLAN TABLE:

Trainee Type	Types Of Training	No. Retain	No. Class/Lab Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainees	Menu Curriculum: Business Skills Computer Skills Continuous Improvement Literacy Skills Management Skills Manufacturing Skills	136	32 - 140	-0-	\$1,066	*\$11.16 - \$40.24
					<u>Prevalent Hourly Wage</u> \$14.83	
					<u>Average Cost Per Trainee</u> \$1,066	
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> *Health benefits of at least \$1.16 per hour and a production bonus of \$1.00 per hour may be applied to the base wage for some of the Job 1 trainees to meet the ETP minimum hourly wage of \$11.16 per hour for San Bernardino County.					<u>Turnover Rate</u> 19%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 11%
<u>Other Employee Benefits:</u> Vacation leave, sick leave, 401 (k) plan; life insurance, disability insurance, 529 college savings plan, and a tuition reimbursement plan.						

COMMENTS / ISSUES:

➤ *Frontline Workers*

Eighty-nine percent of the proposed retrainees in this project meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee). There are 15 Managers and Supervisors (11 percent) in the training plan.

➤ *Production During Training*

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement, if funding is available, and the project meets the Panel priorities.

NARRATIVE:

According to Company representatives, TST is experiencing increased competition from Mexico and China that has forced it to lower its prices, thereby reducing its profit margins significantly. In addition to lower prices, Company customers are demanding improved product quality and shorter lead times, so that it do not have to carry large inventories. To remain competitive, TST must lower production costs by becoming more efficient to remain viable in the highly competitive aluminum products industry. Further, the ETP-funded training for the 136 TST employees is expected to help the Company implement a lean manufacturing/six sigma process that will result in operational changes to improve production processes. ETP-funded training will enable the company to grow its business and provide the best possible service to its customers.

ET02-0116

The first ETP project enabled TST to implement a newly adopted International Standards Organization (ISO) system and to begin its adaptation to a high performance workplace. The primary focus was to introduce the fundamentals of continuous improvement and job specific manufacturing skills training to production employees. Business and computer skills training was provided to administrative and support staff; leadership skills training was provided to lead, management and supervisory employees. Literacy skills training was provided 24 employees based on the results of their language assessments. According to Company representatives, ETP-funded training contributed to TST's obtaining certification approval of the Civil Aviation Authority and re-certification for the new ISO 9001:2000 standards. A total of 118 employees (88 percent of planned trainees) were trained and retained.

After evaluating performance in the first ETP project in May 2004, TST found that it was ready to implement the second phase of its efforts to adapt to a high performance workplace. The first phase focused on the continuous improvement concepts. The second phase will focus on the implementation of a formal lean manufacturing/six sigma production process including team building, leadership and management skills training, as well as incorporating cross-functional teams in the production process to improve Company operations.

NARRATIVE: (continued)

Retrainees in the first ETP project who will be enrolled in this second ETP project will be provided lean manufacturing/sigma training not provided in the first project. Continuing the adaptation to a high performance workplace will enable TST to create a highly skilled and flexible workforce that can increase productivity, respond to customer quality demands, and implement improved manufacturing techniques. Continuous improvement training will primarily focus on front line employees to improve production, quality, customer service, logistics and technical support.

Lean manufacturing/six sigma training will be a concentrated effort to remove waste while improving production operations and will enable TST employees to make improvements on the spot. Cross-functional teams will participate in Kaizen events and implement lean tools such as Single Minute Exchange of Dies (SMED) for quicker setups that will result in increased productivity. TST staff state that ETP-funding will result in improved production process that will improve customer satisfaction, reduced inventory and rework, and improve quality and delivery. TST also expects that ETP-funded training will increase employee satisfaction and morale through greater involvement in the decision making process on the production floor.

TST management and training staff have developed a menu curriculum consisting of 32 – 140 hours of business skills, computer skills, continuous improvement, literacy skills, management skills, and manufacturing skills class/lab training for 136 frontline workers, supervisory and management employees. Training topics will include:

Business Skills training will focus on improving the Company's manufacturing and marketing strategy to align the organizational culture, evaluation systems, and training with production systems with the Company's corporate mission. Company day to day objectives will be measured against monthly, quarterly and annual business goals.

Continuous Improvement training will include lean manufacturing/six sigma, 5-S Principles, Kaizen events, SMED, team building, effective communications for teams, managing projects and systems, and using data to make decisions. The training will enable the Company to achieve the greatest possible efficiencies in the production process.

Computer Skills training will include intermediate and advanced training in recent releases of office productivity applications including Microsoft Office – intermediate and advanced Word, Access, and Excel to provide retrainees the tools to improve service to internal and external customers.

Management Skills training for Company management and supervisory staff will provide leadership and coaching skills that, along with lean manufacturing/six sigma training, will enable these employees to supervise their subordinates more efficiently while promoting a cooperative relationship with employees. Company management and supervisory staff, especially those that have been recently promoted, need these advanced leadership skills to coach and manage their subordinates in a high performance workplace.

Manufacturing Skills training will include training on improved production processes resulting from the implementation of lean manufacturing techniques. This new technical knowledge will ensure that TST has a skilled and flexible workforce to support revised production processes.

NARRATIVE: (continued)

Literacy Skills training will be provided to trainees assessed as requiring Vocational English As a Second Language (VESL) and basic math training to benefit from training and to efficiently do their jobs. Trainees who require literacy skills training were identified through a language and basic math skills assessment that was conducted in May 2004.

Supplemental Nature of Training

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs.

TST, Inc., normally provides employees 15-24 hours of training per year in new employee orientation, safety, job-specific skills training, basic computer training for administrative staff, and a tuition reimbursement program. The Company spends approximately \$40,000 annually in employee training that will continue after ETP-funded training is completed.

The proposed training is in addition to the Company's current training, and an expansion of the first ETP project. It is designed to address new job skill requirements in implementing a lean manufacturing/six sigma process. The proposed ETP-funded training has not been provided previously by the Company. Without funds from ETP, the training proposed in this Application would not occur in the manner proposed. Applicant staff state that TST requires ETP funding because it lacks sufficient resources to implement a company-wide lean manufacturing/six sigma training initiative. TST representatives state that it is critical that it be provided ETP funding to enable the Company to complete the adaptation to a high performance workplace, which will enable TST to reach its corporate productivity and quality goals.

SUBCONTRACTORS:

California Manufacturing Technology Consulting of Gardena, California, in an amount to be determined, to provide a portion of continuous improvement (lean manufacturing/six-sigma) class/lab training.

Yasmin Gonzalez of Rancho Cucamonga, California to provide VESL class/lab training and a portion of computer skills class/lab training.

THIRD PARTY SERVICES:

Applicant staff reported that consultant services were not used in the development of the Application.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

PRIOR PROJECTS					
Agreement Number	Location (City)	Term	% Earned	Planned In-kind Contribution	Reported In-kind Contribution
ET02-0116	Fontana	09/10/01 – 09/09/03	88%	\$263,630**	*\$184,220

* In its first ETP Agreement, TST earned \$132,757; therefore, the adjusted in-kind contribution for the amount earned is \$184,541.

** The difference between the adjusted in-kind and the reported in-kind is \$321. This difference is attributable to the lower than estimated loss in production. The lower than expected loss in production can be attributed to the effectiveness of ETP training.

TST, INC.
MENU CURRICULUM

Class/Lab
Hours

32 – 140 Trainees will be provided any of the following:

BUSINESS SKILLS

Customer Service/Sales Skills
Communication Skills
Product Knowledge
Accounting Principles
Measuring Departmental Performance
Aligning Goals
Business Writing Skills

COMPUTER SKILLS

Microsoft Word 2000 – Intermediate/Advanced
- Word
- Excel
- Access
- Power Point
- Outlook
E-Commerce Applications
Maintenance Pro (MP-2)
TST, Inc. Access Database
Auto Cad

CONTINUOUS IMPROVEMENT

Lean Manufacturing

Six Sigma
5-S Principles
Kiazen Events
Single Minute Exchange of Dies (SMED)
Team Building/Problem Solving
Decision Making
Change Management

TST, INC.
MENU CURRICULUM (continued)

MANAGEMENT SKILLS

Leadership Skills
Delegation Techniques
Managing in a High Performance Workplace
Motivating/Coaching Employees
Supervisor/Manager Competencies
Time and Project Management
Company Reporting Requirements

MANUFACTURING SKILLS

Working in a High Performance Workplace
Ingot/Billet Manufacturing Processes
Quality Processes/Quality Points
Shipping and Receiving Processes
Equipment Maintenance and Repair Processes
Inventory Control
Hydraulic/Pneumatic Systems

LITERACY SKILLS

Vocational English As A Second Language (VESL)

Job specific words and phrases
Understanding operational procedures
Understanding verbal instructions
English writing and communication skills
Completing work documents

Basic Math

Adding and Subtracting whole numbers
Multiplying and Dividing whole numbers
Fractions
Percentages
Basic Measurements